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TAGS: [PREL](#) [PGOV](#) [NI](#) [DELTA](#) [VIOLENCE](#)

SUBJECT: NIGERIA'S DELTA SNAKEPIT: WILL WE AND NIGERIA BE SNAKEBIT?

Classified By: Ambassador John Campbell for Reasons 1.5 (B & D).

**11. (S/NF) SUMMARY:** Nigeria's Delta is the fifth largest supplier of oil to the U.S. and also supplies some 80 percent of the Nigerian Government's revenues. It is not under GON control, however, and is awash with well-armed and well-funded private militias, environmental catastrophes, oil theft (an average of 120,000 bbl/day), corruption, poverty and death. This has been true for some years now, but the growing capabilities of the militias, their abundance of funding to buy more and better weapons, communications gear and politicians, and no proportional effort by the GON to regain control, has the oil majors there very worried about the future. The issue is not keeping oil flowing today, but rather whether, and under what terms, oil and gas will flow in the all-too-foreseeable future if current trends are permitted to continue -- issues that could affect the viability of the Nigerian state as well as our energy supplies. END SUMMARY.

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A CATALOG OF PROBLEMS  
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**12. (C)** The list of benefits from Nigeria's Delta is short and powerful:

-- Nigeria is the fifth largest supplier of oil to the U.S., out of an output of some 2.3 million barrels per day (bbl/day). That output will almost certainly expand, and be augmented by significant exports of gas.

-- The Nigerian Government (GON) depends on oil and gas for around 80 percent of its budget. GON revenues may grow as the price of oil continues to be well higher than the 25 usdols/bbl figure for revenue in the budget, but the percentage of the GON budget is expected to be stable despite changing oil prices because excess revenues are being kept separate in an escrow account.

-- Oil, gas and service companies from the U.S. and other countries make major profits from their Nigerian operations, despite the Delta's growing list of costs and dangers.

**13. (C)** The list of ills is long and longstanding:

-- The GON exercises little control in many areas, and there has been no meaningful economic or social development outside of the oil companies' operations. Despite many police checkpoints, people live in fear and armed robberies take place in broad daylight.

-- Violence in the Delta has become a way of life, and deaths are underreported by the media (although there are also instances where the media exaggerates). Shell reports that more than 1000 people died in clashes the past year.

-- Infrastructure is decaying, and environmental damage from oil operations has made the traditional economy of subsistence farming or fishing difficult or impossible in most areas.

-- Some ethnic groups have well-funded, well-armed militias, especially the Ijaw. Many of these militias join well-armed gangs in oil theft rings, political hits, and "security contracts" from oil companies, as well as carry on longstanding tribal competition for economic and political resources.

-- Large numbers of the Delta's high density population are internally displaced. These pockets, and Delta society in general, have spawned an anti-establishment culture among Delta youth. Chieftancy feuds, economic stagnation and the multiplicity of conflicts have made traditional society and elders progressively more irrelevant over the years.

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AND THINGS MAY GET MUCH WORSE  
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**14. (C)** Over the many years of having to essentially provide their own security and do their own community development, the oil companies have poured money into select

villages/clans to buy protection or placate local populations. Over three decades that money has piled up guns in the hands of Delta villagers. That growing stockpile of arms has made the militias a tough opponent for GON security services since the 1990s, and new funds from systemic oil theft is growing militia arms further in both quantity and quality.

15. (C) "Bunkering," the theft and sale of crude oil, now an average of some 120,000 bbl/day, has become a massive source of illicit funds. Even a conservative price of 23 usdols/bbl would make that a one billion dollar per year illicit industry, and we suspect the oil is sold at somewhat higher than 23 usdols/bbl at least to North Korea and other customers in this time of 47 usdols/bbl international prices.

The oil is loaded on barges similar to those used in the oil companies' legal operations, and transferred to tankers at sea for shipment anywhere in the world. The large deposits/closer to markets advantages that the oil majors enjoy in Nigeria are now also enjoyed by oil theft cartels.

16. (S/NF) While the oil majors do not like losing those 120,000 bbl/day, that is not the main reason behind press stories that some are considering leaving Nigeria. Their revenues from the 2.3 million bbl/day that is shipped by them legally is more than enough even given their present costs. What the oil majors fear is that illicit bunkering industry funding a continuing and escalating security threat from militias and gangs, which the oil majors' traditional approaches cannot contain, and which the GON so far has not decisively tried to end.

17. (S/NF) Already the risk premium insurance companies charge for the Delta has doubled contract costs there for the energy sector companies that do not self-insure. Shifting to offshore fields was an attractive option, but now well armed and coordinated gangs have hit oil platforms in the Gulf of Guinea. ChevronTexaco's security officials contact the Ambassador frequently, and its managers claim it will cost 650 million dollars to restore on-shore facilities damaged by militias/bunkerers

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WHY DOESN'T THE GON DO SOMETHING ABOUT THIS?  
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18. (S/NF) Actually the oil is being stolen from Nigeria, not from the oil companies, but one problem is that many in the GON are being paid by the thieves, or otherwise profit from the thefts and other lawlessness in the Delta. Corruption is a major problem at all levels of the Nigerian Government, but many important officials are rumored to be deeply involved in the business of bunkering too.

19. (S) In addition to the personal-gain reasons among GON officials to let things continue, there are serious obstacles to the GON taking decisive action. In the absence of security, providing meaningful economic and social development for the region as a whole would be impossible. The GON has done little, and donors' assistance programs are a drop in a bucket compared with a billion-dollar illicit industry.

110. (S/NF) The GON sending in the army to restore order would present difficulties even if President Obasanjo had the will to make it happen. Despite some progress in professionalization, major human rights violations would be a major possibility. Moreover, the militias are well armed for their swamp environment, have good communications/control, and have the potential funds to be far better paid than Nigeria's soldiers. They could, and do sometimes, put up a hard fight. Over the past year the Nigerian military's Joint Task Force in the Delta has not even tried to establish full GON control during its "Operation Restore Hope." It has reduced some of the sabotage of oil company facilities but, as one captain of a Nigerian navy vessel noted about anti-bunkering operations, "We have gotten the little guys, but we aren't going after the big guys."

111. (S) And a decisive military effort, even backed by a development effort with enough funding to compete with the bunkerers for people's allegiance, would not be enough. There must be a political component. The elections in the Delta in 1999 and 2003 were widely regarded as a sham. Nevertheless, most of the age-old ethnic feuds have become political in Nigeria's "democracy." Mainstream politicians now use militias or gangs as politics by other means (a growing problem for Nigeria outside the Delta too). This plus all the illicit "new money" has led to the Ijaw and other feuding tribes being divided amongst themselves, as well as a breakdown in the influence of "traditional leaders."

112. (S) A possible worst-case scenario is that these politicians, massively funded by oil theft corruption and using those funds to field private militias, might decide there is more money to be made by using these assets to form

cartels to organize and reduce violence in the theft of oil. It is not impossible that cartels based on such massive illicit industry could someday threaten Nigeria's polity. More probable is that the bunkering will continue, with alternating cooperation and fighting among the bunkerers, and half-hearted efforts by the GON and major bunkerers to stop the minor league thieves.

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WHAT CAN THIS PROBLEM DO TO US?  
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13. (S/NF) ChevronTexaco's and Shell's hints in public that the present situation might cause them to withdraw from Nigeria are, for now, not realistic. Both make too much money here. But as the militias obtain more arms, and notice that there is more money to be made threatening oil companies than threatening each other, a few violent attacks on company facilities or employees could alter that equation. International terrorist attacks would have the same effect. But the oil would continue to flow, with interruptions perhaps in some operations, even if U.S. oil majors were replaced at the pumps.

14. (S/NF) The threat is more long term. Nigeria's proven oil reserves are growing and gas (LNG) is beginning to come on line in significant amounts, but it requires continued and expanding capital investment. Non-U.S. operators, even the Nigerian Government, could possibly keep a considerable proportion of present production going but not invest the massive amounts needed for growth. And such a massive illicit industry pushing the GON even farther from control of the Delta raises the possibility of civil war if Nigeria's other teeming millions lose access through the government to the Delta's revenues.

15. (S/NF) Nigeria's leaders, as well as the oil majors, know these potential dangers. The oil majors appear to have come to the conclusion that drastic changes must be made to the current paradigm in the Delta. Getting the Nigerian Government to pay the drastic costs, and take decisive action for the future despite many of its leaders' present gains from the status quo, may well be a different story. The forces against altering the status quo grow stronger with every illicit barrel sold, even if they do not use a McDonalds sign to advertise how many.  
CAMPBELL